

Securities and Exchange Commission  
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United States  
[www.sec.gov](http://www.sec.gov)

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- **17 CFR Parts 201, 232, 240, 242, and 249**
- **Release Nos. 34-94615; File No. S7-14-22**
- **Rules Relating to Security-Based Swap Execution and Registration and Regulation of Security-Based Swap Execution Facilities**

Dear Sir,

Thank you for giving us the opportunity to comment on your proposed rule concerning Rules Relating to Security-Based Swap Execution and Registration and Regulation of Security-Based Swap Execution Facilities.

You are proposing a set of rules (Regulation SE) and forms under Section 3D of the Securities Exchange Act of 1934 (SEA) that would create a regime for the registration and regulation of security-based swap execution facilities (SBSEFs) and address other issues relating to security-based swap (SBS) execution generally. One of the rules being proposed as part of Regulation SE would implement Section 765 of the Dodd-Frank Act, which is intended to mitigate conflicts of interest at SBSEFs and national securities exchanges that trade SBS (SBS exchanges). Other rules being proposed as part of Regulation SE would address the cross-border application of the SEA's trading venue registration requirements and the trade execution requirement for SBS.

In addition, you are proposing to amend an existing rule to exempt, from the SEA definition of "exchange," certain registered clearing agencies as well as registered SBSEFs that provide a market place only for SBS. You are also proposing a new rule that, while affirming that an SBSEF would be a broker under the SEA, would exempt a registered SBSEF from certain broker requirements. Finally, you are proposing certain new rules and amendments to your Rules of Practice to allow persons who are aggrieved by certain actions by an SBSEF to apply for review by the SEC. You are also withdrawing all previously proposed rules regarding these subjects.

Chief compliance officer (CCO)

I fully support the intent of the proposed regulations here. The CCO role is the single most important compliance role in a SBSEF and it is critical that its job description, the rules and the entity's structures and procedures, act to secure and maintain the CCO's independence. For example the CCO should have a single compliance role and no other competing role or responsibility that could create conflicts of interest or threaten its independence, and therefore I would suggest that you should promulgate rules that restrict the CCO position from being held by an attorney who represents the SBSEF or its board of directors, such as an in-house or general counsel. Furthermore the remuneration of the CCO must be specifically designed in such a way that avoids potential conflicts of interest with its compliance role. Finally, although the CCO would normally report to an executive officer, the CCO must also have a direct reporting line to the independent directors, and the CCO should report to the audit committee at least yearly.

Given the pressures that bear on the CCO with regard to managing conflicts of interest and maintaining independence, I would strongly recommend one specific change to the proposed rules. I would recommend that you amend the wording under § 242.831 such that the authority and sole responsibility to designate or remove the CCO, or to materially change its duties and responsibilities, only vests with the independent directors and not the full board. This would help to ensure the independence of the CCO within the entity, and would possibly mitigate the need for you to promulgate rules requiring the SBSEF to insulate the CCO from undue pressure and coercion or to address the potential conflict between and among compliance interests, commercial interests and ownership interests of a SBSEF.

Yours faithfully

C.R.B.

Chris Barnard